Planning by	Reviewed	Performed by	Final review

Client details
Client name: Ntabankulu Local Municipality
Year end: 30 June 2013

File details
Ver No: 2013.10.01
File name: Ntabankulu 2013
Doc name: Ntabankulu 2013FSNG0000ZAFS.cvw
File path C:\PROGRAM FILES (X86)\CASEWARE\DATA\NTABANKULU 2013\
Last update: 32
Design mode has been entered

Balance Check — Controlling entity

			2013	2012
	Statement of financial position balances			
	Cash flow statement balances			
	Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	(4)	(1)
	Opening Accumulated Surplus (deficit) equals prior year's closing balance			

Print details
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Ntabankulu Local Municipality
Financial statements
for the year ended 30 June 2013
Registered Auditors

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa,1996, as amended.
Nature of business and principal activities	Ntabankulu Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
Accounting Officer	S. Tantsi
Registered office	Erf 85 Main Street Ntabankulu
Bankers	First National Bank Mthatha
Auditors	Auditor General of South Africa
Mayoral committee	
Executive Mayor	Z. Lwana
Speaker	V. Mgoduka
Chief Whip	N. Mpompoza
Executive Committee	M. Tyhalibhongo K. Nonkondlo N. Ndabeni M.G. Magatyana
Municipal Public Accounts Committee	S. Cembi B.B. Nthuthuka B.Z. Ndamase N.S. Pikwa N.C. Lwana N. Mazaza M.W. Siguqa N.E. Mbonomtsha T.M. Dinwayo N. Ndoyisile L. Talatala
Grading of local authority	Grade 3

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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The financial statements set out on pages 4 to 42, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

S. Tantsi
Accounting Officer

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	5	16,131,069	16,130,929
Receivables from exchange transactions	6	764,112	1,012,377
VAT receivable	7	2,505,215	999,658
Consumer debtors	8	1,163,910	3,644,921
Cash and cash equivalents	9	7,975,880	10,143,257
		28,540,186	**31,931,142**
Non-Current Assets			
Investment property	2	9,025,986	9,025,986
Property, plant and equipment	3	141,947,639	119,400,379
Intangible assets	4	147,264	206,297
		151,120,889	**128,632,662**
Total Assets		**179,661,075**	**160,563,804**
Liabilities			
Current Liabilities			
Finance lease obligation		-	72,405
Payables from exchange transactions	12	6,105,745	12,273,469
Unspent conditional grants and receipts	10	4,940,216	7,722,862
Bank overdraft	9	-	336,039
		11,045,961	**20,404,775**
Non-Current Liabilities			
Provisions	11	3,181,000	4,327,119
Total Liabilities		**14,226,961**	**24,731,894**
Net Assets		**165,434,114**	**135,831,910**
Accumulated surplus		165,434,114	135,831,910

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue	14	102,984,209	89,678,671
Other income		1,784,601	434,577
Operating expenses		(76,628,919)	(69,091,195)
Operating surplus		**28,139,891**	**21,022,053**
Investment revenue	22	1,558,987	925,464
Finance costs	23	(96,674)	(544,126)
Surplus for the year		**29,602,204**	**21,403,391**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**119,275,792**	**119,275,792**
Changes in net assets		
Surplus for the year	21,403,391	21,403,391
Total changes	21,403,391	21,403,391
Opening balance as previously reported	140,679,183	140,679,183
Adjustments		
Correction of errors	(4,847,273)	(4,847,273)
Balance at 01 July 2012 as restated	**135,831,910**	**135,831,910**
Changes in net assets		
Surplus for the year	29,602,204	29,602,204
Total changes	29,602,204	29,602,204
Balance at 30 June 2013	**165,434,114**	**165,434,114**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Taxation		2,235,561	843,966
Sale of goods and services		-	154,283
Grants		-	93,351,222
Interest income		1,558,987	925,464
Other receipts		-	449,147
		3,794,548	95,724,082
Payments			
Employee costs		-	(33,902,093)
Suppliers		-	(24,511,190)
Finance costs		(96,674)	(544,126)
		(96,674)	(58,957,409)
Undefined difference compared to the cash generated from operations note		**23,481,711**	**-**
Net cash flows from operating activities	24	**27,179,585**	**36,766,673**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(28,939,267)	(26,646,123)
Proceeds from sale of property, plant and equipment	3	749	-
Purchase of other intangible assets	4	-	(70,680)
Net cash flows from investing activities		**(28,938,518)**	**(26,716,803)**
Cash flows from financing activities			
Finance lease payments		(72,405)	(167,839)
Net increase/(decrease) in cash and cash equivalents		**(1,831,338)**	**9,882,031**
Cash and cash equivalents at the beginning of the year		9,807,218	(74,813)
Cash and cash equivalents at the end of the year	9	**7,975,880**	**9,807,218**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for

Accounting Policies

1.2 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Furniture and fixtures	7 to 10 years
Motor vehicles	5 to 10 years
Office equipment	3 to 7 years
IT equipment	3 years
Infrastructure	20 to 30 years
Community	10 to 30 years
Bins and containers	5 years

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

Accounting Policies

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or

Accounting Policies

1.6 Financial instruments (continued)

- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Accounts payable	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-12 to 30-Jun-13.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.21 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Standards and Interpretations approved and effective

The municipality has prepared it annual financial statements in accordance with the following standards and interpretations:

Standard	Description
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of budget information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related party disclosures

1.23 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	No significant effect
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
• GRAP 107: Mergers	01 April 2014	No significant effect
• GRAP 20: Related parties	01 April 2013	No significant effect

Possible impact of initial application of standards of GRAP approved but not yet effective

Accounting Policies

1.21 Related parties (continued)

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the forseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the forseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the forseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

Figures in Rand	2013	2012

2. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	9,025,986	-	9,025,986	9,025,986	-	9,025,986

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.
As there is limited supply of developed property in Ntabankulu, demand is deemed to be high for such properties and therefore market values are expected to increase over time and residual values are therefore also deemed to exceed the current cost prices disclosed for these assets. Investment property has therefore not been depreciated for the current year as the depreciable value is therefore R Nil.

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	68,898,411	(11,432,474)	57,465,937	68,213,906	(9,110,983)	59,102,923
Furniture and fixtures	2,271,484	(1,022,443)	1,249,041	2,178,170	(707,725)	1,470,445
Motor vehicles	2,443,264	(1,114,797)	1,328,467	2,512,821	(1,136,607)	1,376,214
Office equipment	712,238	(248,056)	464,182	667,755	(180,859)	486,896
IT equipment	1,696,497	(681,006)	1,015,491	1,312,434	(500,596)	811,838
Infrastructure	88,097,224	(7,672,703)	80,424,521	61,109,865	(5,136,258)	55,973,607
Leased Assets	-	-	-	178,456	-	178,456
Total	**164,119,118**	**(22,171,479)**	**141,947,639**	**136,173,407**	**(16,773,028)**	**119,400,379**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land and buildings	59,102,923	684,505	-	(2,321,491)	57,465,937
Furniture and fixtures	1,470,445	104,192	(3,742)	(321,854)	1,249,041
Motor vehicles	1,376,214	606,091	(300,234)	(353,604)	1,328,467
Office equipment	486,896	44,483	-	(67,197)	464,182
IT equipment	811,838	512,637	(55,920)	(253,064)	1,015,491
Infrastructure	55,973,607	26,987,359	-	(2,536,445)	80,424,521
Leased Assets	178,456	-	(178,456)	-	-
	119,400,379	**28,939,267**	**(538,352)**	**(5,853,655)**	**141,947,639**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2013	2012

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	295,162	(147,898)	147,264	295,162	(88,865)	206,297

Reconciliation of intangible assets - 2013

	Opening balance	Difference	Amortisation	Total
Computer software, other	206,297	(1)	(59,032)	147,264

Reconciliation of intangible assets - 2012

	Opening balance	Difference	Additions	Amortisation	Total
Computer software, other	168,530	1	70,680	(32,914)	206,297

5. Inventories

RDP Houses and consumable stores	16,131,069	16,130,929

6. Receivables from exchange transactions

Rental debtors	35,252	387,052
Rent receivables	(4)	(3)
Other debtors	728,864	625,328
	764,112	**1,012,377**

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 116,522 (2012: R 57,603) were impaired and provided for.

The amount of the provision was R (116,522) as of 30 June 2013 (2012: R 57,603).

The ageing of these loans is as follows:

3 to 6 months	64,618
Over 6 months	87,073

7. VAT receivable

VAT	2,505,215	999,658

8. Consumer debtors

Gross balances		
Rates	7,656,719	6,623,351
Refuse	632,327	489,227
	8,289,046	**7,112,578**

Figures in Rand	2013	2012

8. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(6,537,494)	(3,231,810)
Refuse	(587,642)	(235,847)
	(7,125,136)	**(3,467,657)**
Net balance		
Rates	1,119,225	3,391,541
Refuse	44,685	253,380
	1,163,910	**3,644,921**
Rates		
Current (0 -30 days)	30,656	204,679
31 - 60 days	26,438	172,034
61 - 90 days	25,107	164,286
91 - 120 days	676	155,602
> 121 days	1,036,348	2,694,940
	1,119,225	**3,391,541**
Refuse		
Current (0 -30 days)	2,756	15,564
31 - 60 days	2,377	13,191
61 - 90 days	2,257	12,596
91 - 120 days	60	11,932
> 121 days	37,235	200,097
	44,685	**253,380**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(3,467,657)	(3,069,270)
Contributions to allowance	(3,657,479)	(398,387)
	(7,125,136)	**(3,467,657)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	425,273	-
Investment accounts	7,550,607	10,143,257
Bank overdraft	-	(336,039)
	7,975,880	**9,807,218**
Current assets	7,975,880	10,143,257
Current liabilities	-	(336,039)
	7,975,880	**9,807,218**

First National Bank - Account number 622 3333 4250:

Bank statement balance at year end	447,959	295,355

Figures in Rand	2013	2012

10. Unspent conditional grants and receipts

Movement during the year

Conditional grants unspent	4,940,216	7,722,862

The total amount of unspent conditional grants received from the municipality's Gazetted grants received amounted to R3,050,053.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

11. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	3,181,000	-	3,181,000
Workmans Compensation Provision	1,146,119	(1,146,119)	-
	4,327,119	**(1,146,119)**	**3,181,000**

Environmental rehabilitation provision

The municipality has a land-fill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is as per the above.

12. Payables from exchange transactions

Trade payables	3,781,822	10,806,245
Accrued leave pay	2,323,923	1,467,224
	6,105,745	**12,273,469**

13. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	764,112	764,112
Consumer debtors	8,289,046	8,289,046
Cash and cash equivalents	7,975,880	7,975,880
	17,029,038	**17,029,038**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6,105,745	6,105,745

Figures in Rand	2013	2012

14. Revenue

Rendering of services	18,087	12,581
Service charges	159,788	178,952
Rental of facilities and equipment	880,580	914,443
Licences and permits	2,939	-
Other income	638,482	434,138
Reversal of WCA provision	1,146,119	439
Interest received - investment	1,558,987	925,464
Property rates	2,235,561	1,566,121
Government grants & subsidies	98,983,174	86,524,276
Fines	704,080	482,298
	106,327,797	**91,038,712**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	159,788	178,952
Rendering of services	18,087	12,581
Rental of facilities and equipment	880,580	914,443
Licences and permits	2,939	-
Other income	638,482	434,138
Reversal of WCA provision	1,146,119	439
Interest received - investment	1,558,987	925,464
	4,404,982	**2,466,017**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	2,235,561	1,566,121
Transfer revenue		
Government grants & subsidies	98,983,174	86,524,276
Fines	704,080	482,298
	101,922,815	**88,572,695**

15. Property rates

Rates received

Property rates	2,235,561	1,566,121

The total value of properties per the valuation roll of the municipality is as follows:
Government - R98,608,020
Residential - R54,563,840
Business - R87,954,608

The billing above is in line with the valuation roll.

The rates valuation roll is currently being reviewed. Changes to rates will take effect for the 2014 financial year.

16. Service charges

Sewerage and sanitation charges	-	14,811
Refuse removal	159,788	164,141
	159,788	**178,952**

Figures in Rand	2013	2012

17. Government grants and subsidies

Equitable share	61,826,000	54,929,000
Municipal Infrastructure Grant	33,073,189	29,331,002
Eastern Cape Development Corporation	873,923	193,257
Finance Management Grant	1,812,273	1,149,240
MSIG	838,703	771,777
Other grant income	559,086	150,000
	98,983,174	**86,524,276**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R (2012: R -), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6,414,223	796,225
Current-year receipts	30,010,393	34,949,000
Conditions met - transferred to revenue	(33,323,449)	(29,331,002)
	3,101,167	**6,414,223**

Conditions still to be met - remain liabilities (see note 10).

ECDC

Balance unspent at beginning of year	193,257	-
Current-year receipts	-	1,067,180
Conditions met - transferred to revenue	-	(873,923)
	193,257	**193,257**

Conditions still to be met - remain liabilities (see note 10).

Finance Management Grant

Balance unspent at beginning of year	1,220,985	870,225
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,934,521)	(1,149,240)
	786,464	**1,220,985**

Conditions still to be met - remain liabilities (see note 10).

MSIG

Balance unspent at beginning of year	48,462	30,239
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(848,462)	(771,777)
	-	**48,462**

Notes to the Financial Statements

Figures in Rand	2013	2012

17. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 10).

18. General expenses

Accounting and audit fees	1,551,599	2,088,971
Bank charges	154,287	202,863
Consulting and professional fees	1,788,735	3,149,284
Entertainment	834,438	694,176
Insurance	522,506	398,683
IT expenses	(170,286)	261,112
Lease rentals on operating lease	7,560	85,114
Marketing	388,188	293,974
Motor vehicle expenses	-	238,574
Fuel and oil	1,032,555	888,699
Postage and courier	(17,455)	(69,654)
Printing and stationery	422,903	345,702
Royalties and license fees	37,960	102,857
Security (Guarding of municipal property)	796,304	996,202
Telephone and fax	2,190,769	1,942,287
Travel - local	1,310,618	1,056,371
General expenses	17,540,597	15,395,117
	28,391,278	**28,070,332**

Figures in Rand	2013	2012

19. Employee related costs

Basic	19,063,526	15,535,326
Bonus	1,407,045	1,271,201
Medical aid - company contributions	1,262,306	1,065,063
UIF	220,581	148,844
SDL	243,037	189,169
Post-employment benefits - Pension - Defined contribution plan	2,428,448	2,279,815
Car allowance	1,828,260	1,511,608
Housing benefits and allowances	1,644,102	1,459,341
Standby allowances	278,239	263,991
Telephone allowances	55,660	56,444
Contribution to bargaining council	10,746	319,313
	28,441,950	**24,100,115**

Remuneration of municipal manager

Annual Remuneration	624,106	543,247
Car Allowance	209,969	163,390
Performance Bonuses	66,154	-
Contributions to UIF, Medical and Pension Funds	43,494	34,892
	943,723	**741,529**

Remuneration of chief finance officer

Annual Remuneration	-	645,924
Car Allowance	-	92,232
Contributions to UIF, Medical and Pension Funds	-	8,615
	-	**746,771**

A Chief Financial Officer was appointed subsequent to year end. Before this time, the Chief Accountant acted in this capacity.

Remuneration of executive directors

Annual Remuneration	2,041,960	1,653,072
Car Allowance	605,876	521,896
Performance Bonuses	214,149	-
Contributions to UIF, Medical and Pension Funds	111,708	147,827
	2,973,693	**2,322,795**

20. Remuneration of councillors

Executive Major	639,297	550,147
Speaker	440,729	410,157
Councillors	6,321,553	6,034,643
Councillors' pension contribution	712,216	743,673
	8,113,795	**7,738,620**

21. Debt impairment

Contributions to debt impairment provision	3,654,366	384,744

Figures in Rand	2013	2012

22. Investment revenue

Interest revenue		
Interest charged on trade and other receivables	397,915	251,542
Interest on investment accounts	1,161,072	673,922
	1,558,987	**925,464**

23. Finance costs

Bank and finance lease	96,674	544,126

24. Cash generated from operations

Surplus	29,602,204	21,403,391
Adjustments for:		
Depreciation and amortisation	6,091,143	6,149,456
Loss on sale of assets and liabilities	537,603	-
Debt impairment	3,654,366	384,744
Bad debt written-off	(62,031)	-
Debt impairment included in Rental debtors net balance	(116,423)	-
Movements in provisions	(1,146,119)	312,388
Changes in working capital:		
Inventories	(140)	(15,948)
Receivables from exchange transactions	248,264	(358,568)
Consumer debtors	(1,173,355)	(1,241,777)
Payables from exchange transactions	(6,167,724)	(3,677,030)
VAT	(1,505,557)	6,983,071
Unspent conditional grants and receipts	(2,782,646)	6,826,946
	27,179,585	**36,766,673**

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved capital expenditure	22,695,445	9,939,573
Not yet contracted for and authorised by accounting officer		
• Capital expenditure approved but not contracted for	362,005	-

This committed expenditure relates to capital acquisitions and will be financed by government grants received, available bank facilities and retained surpluses.

26. Contingencies

Litigation is in the process against the municipality relating to two disputes with two seperate suppliers where the suppliers claim breach of contract by the municipality. The potential loss, including legal fees for these two cases amounts to R698,670.

There are a further two cases where two suppliers are instituting claims for specific performance. It appears reasonable that these could be successful and the municipality may incur further legal fees as a result of these cases.

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Related parties

Loans to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, staff and Public.

Related party transactions

The municipality offers its services to the entire Ntabankulu community. Any services rendered to senior management or to councillors are done so at an arms length basis. Services are charged at the standard approved tariffs that were advertised and offered to the public. No bad debts were written-off or recognised in respect of amounts owing by related parties.

The amounts outstanding are unsecured and will be settled in cash. See note 36 below for details of related parties with arrear accounts.

Compensation of key related parties is detailed in the notes 19 and 20 above.

28. Prior period errors

In the prior year the municipality converted to GRAP in respect of Property, Plant and Equipment. In identifying and obtaining values for all of their assets, certain assets were valued based on amounts obtained from the asset system. In the current year, management undertook an exercise whereby they obtained original invoices for such assets.

Additional to this, there was a calculation error in determining accumulated depreciation for assets on the fixed asset register and intangible assets in the prior year.

An error occurred whereby a creditor for roads additions was not raised in the previous year. As management had completely identified all asset additions, the creditor was incorrectly credited against general expenditure in the income statement.er 1

The correction of the errors results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	-	(7,276,018)
Accumulated depreciation on property, plant and equipment	-	2,319,006
Accumulated depreciation on intangible assets	-	(31,634)
Trade and other payables	-	(3,816,750)
Statement of Financial Performance		
General expenditure	-	3,958,123

29. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Figures in Rand	2013	2012

29. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

30. Unauthorised expenditure

Unauthorised expenditure	410,675	11,419,365

31. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	96,673	2,661,591

The municipality incurred fruitless and wasteful expenditure that arose through interest being levied on the late payment of accounts.

32. Irregular expenditure

Opening balance	102,917,831	48,426,374
Add: Irregular Expenditure - current year	25,849,461	54,491,457
	128,767,292	**102,917,831**

Figures in Rand	2013	2012

32. Irregular expenditure (continued)

Details of irregular expenditure – current year

The service provider's municipal account was in arrears for more than 3 months	165,744
Expenditure was between R10,000 and R200,000 and was procured without obtaining at least 3 written quotations	2,641,228
Expenditure was less than R30,000 but was not awarded to the lowest quotation	372,399
Tax clearance certificate not provided	79,000
Total payments made exceeded the quoted amount	11,050
SCM legislative requirements were not fully complied with	22,555,426
Cellular contracts were paid for Councillors over and above their cellphone allowances	24,614
	25,849,461

Details of irregular expenditure recoverable (not condoned)

-

33. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	29,602,204	21,403,391
Adjusted for:		
Loss on the disposal of assets	537,603	-
Underspending on budget	(2,286,357)	-
Net surplus per approved budget	**27,853,450**	**21,403,391**

34. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix C, D and E for the comparison of actual operating expenditure versus budgeted expenditure.

35. Non-compliance with Municipal Finance Management Act

The municipality did not pay all suppliers within 30 days.

36. Mandatory disclosures

Contributions to organised local government - SALGA

Opening balance	**(231,000)**	**-**
Expenditure for the year	**(400,000)**	**(350,000)**
Amount paid - current year	**628,280**	**119,000**
Owing at year end	**(2,720)**	**(231,000)**

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Mandatory disclosures (continued)

Audit fees

Opening balance	**1,836,062**	**3,250,409**
Expenditure for the year	**1,314,203**	**945,981**
Credit note for prior years	**(733,015)**	**945,981**
Amount paid - current year	**(2,377,250)**	**(2,360,328)**
Owing at year end	**-**	**1,836,062**

PAYE and UIF

Opening balance	**-**	**756,250**
Expenditure for the year	**5,223,087**	**4,536,233**
Amount paid - current year	**(5,223,087)**	**(4,902,000)**
Owing at year end	**-**	**-**

Pension and medical aid deductions

Opening balance	**545,356**	**774,574**
Expenditure for the year	**4,402,970**	**6,151,765**
Amount paid - current year	**(4,948,326)**	**(6,380,983)**
Owing at year end	**-**	**545,356**

There was only one councillor who had a debtors account in arrears at year end, this being Councillor Matwasa at an amount of R126.10.

Detailed Income statement

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	16	159,788	178,952
Rendering of services		18,087	12,581
Rental of facilities and equipment	15	880,580	914,443
Licences and permits		2,939	-
Other income		638,482	434,138
Reversal of WCA provision		1,146,119	439
Interest received - investment		1,558,987	925,464
Property rates	15	2,235,561	1,566,121
Government grants & subsidies	17	98,983,174	86,524,276
Fines		704,080	482,298
Total revenue		**106,327,797**	**91,038,712**
Expenditure			
Personnel	19	(28,441,950)	(24,100,115)
Remuneration of councillors	20	(8,113,795)	(7,738,620)
Depreciation and amortisation		(6,091,143)	(6,149,456)
Finance costs	23	(96,674)	(544,126)
Debt impairment	21	(3,654,366)	(384,744)
Repairs and maintenance		(1,398,784)	(2,647,928)
Loss on disposal of assets		(537,603)	-
General Expenses	18	(28,391,278)	(28,070,332)
Total expenditure		**(76,725,593)**	**(69,635,321)**
Operating surplus		**29,602,204**	**21,403,391**
Surplus for the year		**29,602,204**	**21,403,391**
Attributable to:			
Owners of the controlling entity		29,602,204	21,403,391

The supplementary information presented does not form part of the financial statements and is unaudited